KEYSPAN ENERGY DELIVERY NEW ENGLAND
D.T.E. 05-68

SECOND SET OF INFORMATION REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO
KEYSPAN ENERGY DELIVERY NEW ENGLAND

DTE-2-24

Date: February 24, 2006
Respondent: Leo Silvestrini

Q. Refer to pages 43-44 of the Company's filing. The Company assumes no change in the commodity price of gas when developing the low and high-demand scenarios by arguing that even though price changes may occur, it would not be consistent with the other economic assumptions driving the forecast. Please discuss what other economic assumptions the Company is referring to and explain why the changes would not be consistent.

A. To develop a reliable forecast of customer requirements, it is necessary to generate sensitivity analyses aimed at identifying the range of possible demands that will be placed on the resource portfolio over the forecast period. The Company accomplishes this task by developing a low, base and high forecast scenario. To ensure that this range is reasonably connected to the actual demands that will be placed upon the portfolio, the Company needs to make sure that the factors that are most likely to affect demand are captured in these scenarios. In the Company's experience, the principle drivers of demand are population (number of households) and employment. Therefore the low, base and high-demand cases differ from each other as a result of differing projections of these variables.

The Company's low, base and high cases use the same commodity price assumptions because using different commodity prices might be inconsistent with the other economic assumptions used to determine the high and low cases, and in the end may not influence the final range of outcomes. For example, lower economic growth that results in lower employment projections could be caused by high energy prices that are placing a drag on the economy. In this case, lower economic growth would reduce demand and higher prices would further reduce demand. Or, in another example, low economic growth might reduce the demand for energy and therefore cause lower energy prices. In this case, low economic growth would reduce demand but low energy prices would increase demand and offset some of the reduction caused by the low

economic growth, placing the final outcome somewhere within the high and low range the Company is attempting to establish. Similar examples could be given for high economic growth and either high or low energy prices. Rather than assume the relative impact of economic growth and prices on overall energy demand, the Company varies only the economic inputs to determine a reasonable range of demand for the high and low cases of its sensitivity analysis.